

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE BIG SANDY)
WATER DISTRICT, OF BOYD AND CARTER)
COUNTIES, KENTUCKY, FOR APPROVAL OF)
CONSTRUCTION AND FINANCING) CASE NO. 9861

O R D E R

Big Sandy Water District ("Big Sandy") by application filed February 9, 1987, is seeking authorization to construct an \$830,000 waterworks improvement project and approval of its plan of financing for this project. The project funding includes a \$765,000 loan from the Farmers Home Administration ("FmHA"), a \$25,000 grant from the Big Sandy Area Development District and contributions of \$40,000 from applicants for service in the proposed project area. The FmHA loan will be secured by waterworks revenue bonds maturing over a 40-year period at an interest rate of 7 1/8 percent per annum.

The construction is proposed to provide water service to approximately 196 new customers. Drawings and specifications for the proposed improvements by Kenco Associates, Inc., of Ashland, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Big Sandy's Engineer has provided information which indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. During the review of this project, the Commission's Engineering Staff questioned the Engineer about the existence of the high and low pressure in the existing system and in the proposed expansion as well. The staff pointed out that Commission regulation 807 KAR 5:066, Section 6 (1), states that in no event shall the pressure at the customer's service pipe under normal conditions fall below 30 pounds per square inch ("psi") nor shall the static pressure exceed 150 psi. The Engineer has given his assurance that the pressure will be reduced below 150 psi at the discharge side of all customer meters. Nevertheless, the Commission maintains some concern about the adequacy of Big Sandy's water distribution system. The potential exists for low pressure and high pressure situations at several areas in the distribution system.

The Commission reminds Big Sandy of its obligation to provide adequate and reliable service to all of its customers. Big Sandy should monitor the adequacy of the expanded water distribution system after construction. If this monitoring indicates that the level of service is inadequate or declining, Big Sandy must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. With appropriate monitoring of the system after construction, and modifications as outlined herein by Finding Number 2, public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. At 8 dead-end pipe locations, Big Sandy has proposed to construct 2-inch diameter pipe. Three of these locations show lengths in excess of the 250-foot limitation stipulated by Section 11 of 807 KAR 5:066. The plan sheet numbers and lengths of pipe proposed for these 3 areas are as follows: G-9/350 feet, G-26/270 feet, G-34/500 feet. After consideration of initial service demands, future service demands and available service pressures, the Commission finds that a minimum of 3-inch diameter pipe should be extended to serve these 3 areas in order to maintain the length of 2-inch diameter pipe at less than 250 feet.

3. The proposed construction consists of approximately 22 miles of 6-, 4-, 3-, and 2-inch diameter pipelines, and related appurtenances. The low bids received for the proposed construction totaled \$641,637 which will require about \$830,000 after allowances are made for fees, contingencies, and indirect costs.

4. Big Sandy should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Big Sandy should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

5. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of the Commission.

6. Big Sandy should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. Big Sandy's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Big Sandy should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. The financing plan proposed by Big Sandy is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service

to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Big Sandy be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein approved subject to incorporation of changes required by Finding Number 2 of this Order, and on the condition that the system be monitored and corrective action taken in accordance with Finding Number 1 and Finding Number 4 of this Order.

2. Big Sandy's financing plan consisting of an FmHA loan of \$765,000, a \$25,000 grant from Big Sandy Area Development District, and customer contributions of \$40,000 be and it hereby is approved.

3. Big Sandy shall comply with all matters set out in Findings 4 through 8 as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 2nd day of July, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Hemmings
Chairman

Richard L.
Vice Chairman

Spencer N. Wilkerson
Commissioner

ATTEST:

Executive Director